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Report of the
Jobs Initiative Task Force



January 1983

JAMES CLARK, JR.



BENJAMIN L. CARDIN

MARYLAND GENERAL ASSEMBLY
STATE HOUSE
ANNAPOLIS, MARYLAND 21401

January 20, 1983

To the Members of the General Assembly

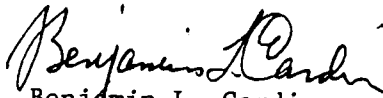
Ladies and Gentlemen:

Responding to the employment and economic distress of many of the citizens of Maryland, we created a Jobs Initiative Task Force in November, 1982 to determine what legislative and other actions would be most constructive in alleviating those problems.

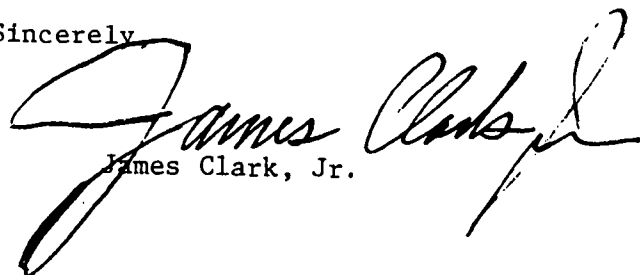
The Task Force was composed of members of the business and labor community, elected and appointed local officials, and members of the leadership of the General Assembly. Although few in number, the Task Force's meetings elicited extended discussion from among the participants and resulted in a series of recommendations that are contained in the attached Report.

We urge the 1983 General Assembly to give serious consideration to the Task Force's recommendations. We hope that this cooperative effort among labor, industry and government represents the beginning of a continuing dialogue to address the problem of unemployment in Maryland.

Sincerely


Benjamin L. Cardin

attachment


James Clark, Jr.

Jobs Initiative Task Force Members

Hon. Benjamin L. Cardin
House of Delegates

Hon. James Clark, Jr.
Senate of Maryland

Russell R. Jones
General Manager
Bethelhem Steel Corp.

William B. Potter
President
Preston Trucking Co. Inc.

J. Blacklock Wills
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Southern Maryland Oil, Inc.

Charles H. Rush
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Baltimore Building & Construction Trades Council

Thomas M. Bradley
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County Executive
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Ms. Marion Pines
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Baltimore City

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Hon. James O. Roberson
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Hon. Tyras S. Athey
House of Delegates

Hon. Hattie N. Harrison
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Hon. Frederick Rummage
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Hon. Laurence Levitan
Maryland Senate

Hon. Edward P. Thomas
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Prepared by

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JOBS INITIATIVE TASK FORCE

BACKGROUND

As it has throughout the nation, unemployment has been a steadily growing problem for the State of Maryland. The State's average unemployment rate for 1980 was 6.4%, for 1981 it was 7.2%, and for 1982 it is expected that the annualized rate will be just under 9.0%. Although the most recent unemployment statistics (a 7.7% rate for November 1982) show some improvement, a considerable portion of that is probably attributable to seasonal changes and even at that level approximately 167,000 Maryland residents remain unemployed.

Data from October of 1982 indicates that 43% of Maryland unemployed were individuals who involuntarily lost their jobs, another 43% were new entrants or reentrants into the labor force, and the remaining 14% were individuals who had quit their jobs. Less than one-third of the unemployed currently draw unemployment insurance benefits and increasing numbers of these individuals are exhausting them.

Within Maryland the impact of unemployment has been very uneven. In absolute numbers, nearly one-half of the State's unemployed live in Baltimore City and Baltimore County. Baltimore City, Western Maryland and certain Southern and Eastern Shore counties are suffering the most severe unemployment problem. For September of 1982, the unemployment rates (before seasonal adjustment) were 11.4% for Baltimore City, 10.3% for

Baltimore County, 12.7% for Western Maryland, 13.1% for Calvert County, and 15.4% for Somerset County.

In recent years the manufacturing, construction, and public sectors in Maryland have sharply reduced employment and the number of long-term unemployed has greatly increased. This may help to explain why Maryland's economy, which grew faster than the national average during the 1960's, appears on the basis of many measures to be growing more slowly than the national average since 1970. One significant manifestation of the unemployment problem which the State faces is that the same number of jobs exist in Maryland now as existed in 1979, yet an additional 75,000 persons have joined the labor force. Moreover, relatively unskilled job seekers and many other individuals who have held both lower and highly skilled blue collar jobs are likely to continue to face chronic unemployment problems.

Despite the current economic difficulties, several factors enhance the attractiveness of Maryland as a business location. The growing availability of scientific and research personnel within the State can make Maryland a strong competitor for high-tech engineering and medical industries. Increased efforts, such as the Jobs Initiative Task Force, are being made to improve the general business climate in the State. The Baltimore Harbor has provided and can provide an even greater opportunity for involvement in international trade. The existence of good labor-management relations and the quality of living in Maryland offer further inducements for business location and creation. Nevertheless, while Maryland has many attributes which can

attract economic development, portions of its labor force may need the additional assistance of retraining to acquire the skills necessary to meet future employment needs.

RECOMMENDATIONS

Based on its deliberations and review of the materials submitted to it, the Jobs Initiative Task Force recommends to the 1983 Maryland General Assembly that it act upon the following proposals in order to help create new jobs and promote future economic development in Maryland.

1. ESTABLISH STATE VENTURE CAPITAL FUNDS

One factor crucial to job creation and the economic climate of a state is the availability of capital required by businesses for construction, purchases, and inventories. For the most part the capital needs of companies are met by the private sector capital markets. In certain specialized circumstances the public sector can play a critical role. This is particularly the case when, for any one of several reasons, the private sector is unwilling to assume the risks involved in working with unorthodox conditions. Thus, the State can assist in the enhancement of Maryland's economic well-being by the strengthening of present economic assistance programs and the creation of venture capital funds.

(a) The Enterprise Zone Venture Capital Guarantee Fund, created by the Maryland General Assembly to insure loans approved by the Department of Community and Economic Development (DECD) pursuant to the State Enterprise Zone Law needs to receive funds

from the State's fiscal year 1984 capital budget. This is necessary to fully implement the enterprise zone legislation and is especially important at this time since the State's first enterprise zones are currently being designated by DECD.

(b) The Jobs Initiative Task Force also urges the introduction of legislation establishing a venture capital guarantee fund that would provide loan guarantees for new businesses that are not located in enterprise zones. This would not require the creation of a new body or independent program as the venture capital fund could be administered by the Maryland Industrial Development Financing Authority (MIDFA) and could be directed toward certain types of businesses, such as new or small business or those in high-technology fields. We believe that it is imperative that such an effort be adequately funded in fiscal year 1984, presumably from the State's capital budget through general obligation bonds.

2. STRENGTHEN CURRENT STATE ECONOMIC DEVELOPMENT ACTIVITY

(a) Job creation and economic development should be a top priority in allocating the State of Maryland's new bond authorizations for fiscal year 1984. A review of recent data indicates that since fiscal year 1977 a yearly average of less than 10 percent of the State's bonded indebtedness has been devoted to programs of the Department of Economic and Community Development (DECD). For example in fiscal year 1982, DECD's share of the 186 million dollar authorization was 14.5 million dollars, or 7.8% of the total. This is the lowest amount allocated to DECD programs since fiscal year 1978.

(b) The Task Force believes that State bond authorizations during the 1983 Session of the General Assembly should be reviewed with great scrutiny and that those with the greatest job creation and economic development potential should receive the highest funding priority.

(c) Businesses which are the beneficiaries of State economic development programs should be required to provide the State with assurances that the financial benefits being received will result in improved employment opportunities for those Maryland residents most in need of such assistance.

(d) The General Assembly should conduct, through the appropriate standing committees, an in-depth evaluation of the State's economic development programs during the 1983 Interim. The primary purposes would be to analyze the cost-effectiveness of these programs in producing new jobs for the State's citizens as well as to develop further ways to improve these programs relative to the creation and preservation of new and existing jobs and businesses.

3. STRENGTHENING OF EDUCATIONAL INSTITUTIONS

(a) It is imperative that both the school systems and the employment and training systems place greater emphasis upon the teaching of basic educational skills to improve the employment potential of the State's current and future labor force. Basic educational skills are essential to all types of employment and many of the unemployed, while proficient in their previous job, trade or craft, are severely lacking in their basic skills

ability. In order for retraining programs to be successful, remedial education programs in reading, writing, and mathematics will be necessary in many cases. Existing remedial educational programs should be strengthened and new programs created where none exist. This is equally true in both the general curricula and vocational programs of our school systems.

(b) On-the-job training (OJT) activities should be emphasized in the provision of employment and training and vocational education services. Current OJT programs should be continued and expanded where feasible. New OJT programs should be implemented where none exist. In addition, Community Colleges and other educational institutions which provide employment training and vocational education services are urged to seek the assistance as well as the guidance of the business community in the development of their programs.

(c) The State should promote the development of existing and new technical industries through the creation of engineering and technical research facilities. These facilities should be developed in conjunction with the State's institutions of higher education.

(d) Maryland should utilize its presently excellent scientific and medical research communities more effectively through the development of bio-medical research facilities.

4. CLIMATE FOR ECONOMIC DEVELOPMENT

The Task Force believes it is necessary to improve the State's economic and business climate through the development of

improved communication between business, government, and labor. Ad hoc task forces such as this one, are an important first step in the development of both formal and informal lines of communication between the leaders of these three sectors. However, we feel that more formal and permanent mechanisms are required. At the State level some means must be found to continue the dialogue between business, labor, and the legislative leadership which has begun with the creation of the Task Force. One means of accomplishing this is through the institutionalization of annual pre-legislative session meetings of legislative, business and labor leaders to discuss issues of mutual concern. At the local level the Private Industry Councils should be used as the forum to conduct this dialogue and to build the cooperation between local governments, educational institutions, labor, and business that is essential to the development of a stable economic environment.

5. SMALL BUSINESS

The U.S. Department of Commerce reports that of the 74,474 business establishments in Maryland, 37,404 (50.2%) employ fewer than 4 individuals. Another 15,946 (21.4%) establishments employ between 5 and 9 people. Thus 71.6% of Maryland's business establishments employ less than 10 workers. Moreover many studies have indicated that the bulk of job creation during the past decade has occurred in the small business sector of the nation's economy. Because of this, it is necessary that the State display a special sensitivity toward the problems of small business in Maryland. Consequently, the development of a program

to provide small loans through Industrial Revenue Bonds to businesses that are in need of them should be investigated. In addition, the creation of a system of small business advisory centers should be considered.

6. DREDGING BALTIMORE HARBOR

The dredging of the Baltimore Harbor and approach channels from their current 42 foot depth to a depth of 50 feet is essential to expanding national and international shipping trade and improving the nation's balance of payments situation. The Jobs Initiative Task Force urges the continuation of the cooperation that has existed between business and labor on this issue. However, because much of the benefit from this will accrue to out-of-state businesses and corporations, as well as the prohibitive costs involved in a project of this magnitude, the State should develop and coordinate strategy to secure maximum Federal assistance (and if necessary consider the utilization of appropriate users' fees). One means of implementing such a strategy would be to appoint a Lobbying Task Force which would be largely responsible for obtaining such financial assistance for the Federal government.

7. STRENGTHENING INTERNATIONAL TRADE

The State, through the Department of Economic and Community Development, should more aggressively promote involvement in international trade by Maryland businesses. In particular, small businesses should be made aware of the opportunities for assistance available to them through the Federal Export Trading

Company Act and other related programs.

8. STATE EMPLOYMENT AND TRAINING RESPONSIBILITIES

(a) The Task Force agrees that the State should assume a strong role in coordinating employment and training activities. This responsibility should be centralized in a single cabinet level executive agency in order that the effectiveness of current programs can be assured. Such centralization could be accomplished in either an existing agency or through the creation of a new cabinet level agency. The Task Force membership differs on which approach to follow.

(b) The State should support the continuance of a locally based employment and training delivery system. During the past decade, a system of seven separate, locally based employment and training systems, supported by funds from the Federal Comprehensive Employment and Training Act (CETA), were established across the State. In fiscal year 1982, \$48 million dollars in Federal funds were channeled through this system to support employment and training related activities. At the close of this Federal fiscal year, the CETA legislation expires and will be replaced by the Federal Jobs Training Partnership Act (FJTPA). Like CETA before it, but to a greater degree, FJTPA emphasizes the importance of local delivery systems for the provision of employment and training services.

FJTPA, which is expected to bring between \$44 and 58 million in Federal funds into the State, places a heightened emphasis upon the role of both the private sector in improving the

delivery of local services and the State government in coordinating the delivery of all services. FJTPA also provides for closely integrated public and private efforts in the fight against unemployment. The opportunities presented by FJTPA should be realized. While maintaining the State's traditional commitment to locally based employment training activity, the State must, in its newly enhanced coordinative role, ensure that the local service delivery systems move rapidly to create the strongest possible linkage between public and private sectors through Private Industry Councils and all other appropriate means.

(c) As with the predecessor CETA program, in FJTPA the emphasis is focused on the provision of training services to the economically disadvantaged. However, FJTPA does have one section, Title III, devoted to employment and training assistance for dislocated workers (those workers who are not likely to be able to return to the kinds of jobs they previously held due to structural changes in the economy). In order to participate in this program the State must provide an equal match for each Federal dollar it receives. Unemployment insurance benefits provided to individuals in such training services can be credited against one-half of the State's required match. It is anticipated that up to \$14 million dollars may be available to the State from the Federal government under Title III. It is incumbent upon the State to insure that the remaining required matching funds are available in order to guarantee the fullest possible implementation of Title III.

(d) In order for training programs to be successful, local needs first must be accurately assessed. FJTPA requires that each local service delivery area have a Private Industry Council composed of individuals from business, labor, education, government, and community-based organizations and that the majority of council membership be drawn from the private sector. These local councils must take the lead within their service delivery areas in both assessing local training and retraining needs and in insuring the successful placement of individuals who have been involved in training programs. At the State level, the State Occupational Information Council must play a more active role in developing and making available to local districts the most reliable and recent information on statewide and national employment needs and training activities.

9. UNEMPLOYMENT COMPENSATION

In the week ending December 25, 1982 the number of individuals filing for regular Unemployment Insurance (UI) benefits totaled 54,270. The number of first time "files" equaled 7,283 and 5,535 applied for at least a second time for regular benefits. As of November, the number of individuals who exhausted their regular benefits totaled 5,021 while 6,800 individuals exhausted the ten week Federal Supplement Compensation benefits (FSC). Currently, approximately 50 percent of unemployment compensation beneficiaries receive the maximum weekly payment of \$153.00; however, the average weekly benefit payment is \$118.00. Additionally, a significant number of recipients are entering their second benefit year and may not

qualify for further benefits. Because relatively high levels of unemployment are expected to persist for some time the Task Force urges the 1983 General Assembly to deal expeditiously with several issues involving unemployment compensation.

(a) Great concern was expressed over policies which have resulted in the loss of benefits by unemployment insurance beneficiaries who are involved in job training. State law provides that with the approval of the Executive Director of the Employment Security Administration benefits may be granted to such beneficiaries. Additionally, regular or extended benefits may not be denied to individuals who are in training programs approved under the Federal Trade Act of 1974. The Jobs Initiative Task Force is encouraged by the recent relaxation of rules regarding the receipt of unemployment insurance benefits and enrollment in job training, as well as by the Employment Security Administration's adoption and implementation of a policy to provide benefits to those individuals undergoing training or retraining.

(b) We believe that further State incentives to promote job training and retraining are necessary. One such incentive would be to provide tuition assistance to the unemployed in the form of a tuition waivers program. A tuition waiver could be made available to any unemployment insurance beneficiary who seeks to be trained or retrained through course work provided by any public institution of higher education. Such a program would further encourage the development of jobs training and retraining activities by the State's public institutions of higher

education.

(c) Since the close of the 1982 Special Session of the General Assembly, the U. S. Congress enacted the FSC program that provides for ten additional weeks of unemployment benefits. In particular, the Task Force is concerned that unemployed workers not be denied benefits as a consequence of technical deficiencies in current programs and if there is a problem of coordination it should be addressed.

(d) We encourage the 1983 General Assembly to take prompt action concerning the level, extension, and funding of all unemployment insurance benefits programs. It is imperative that hearings on these matters be scheduled early in the 1983 Session in order to allow the General Assembly to carefully consider these vital issues. It is also imperative that these hearings be comprehensive and that all of the concerned parties - labor, business, and Maryland's unemployed - have a thorough opportunity to make their views known.

10. REGULATORY REVIEW

The Jobs Initiative Task Force urges the General Assembly to be especially sensitive to the need for a balanced and reasonable approach to the imposition of regulatory actions by the State. We particularly encourage the Joint Standing Committee on Administrative, Executive and Legislative Review to strengthen its capacity to review and evaluate the economic impact of existing and proposed administrative regulations that affect business, labor, and the economic climate within the State.

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